



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**PRACTICES AND CHALLENGES OF EMPLOYEES'
PERFORMANCE APPRAISAL: THE CASE OF NIHAM
INTERNATIONAL BUSINESS PLC**

**BY
MENU BADI OUSMAN**

**DECEMBER 2018
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
GRADUATE STUDIES, IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF GENERAL
BUSINESS ADMINISTRATION**

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DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of my advisor Asst. Professor Shoa Jemal. All sources of material used while working on this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any type of degree.

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St. Mary's University, Addis Ababa

Signature

December 2018

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

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December 2018

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Acknowledgments

I would like to thank the Almighty Allah for giving me the strength, guidance, and perseverance that enabled me to produce this work. I am very much indebted to my advisor Asst. Professor Shoa Jemal for his priceless assistance in the writing of this research; it would have not been possible without him. My profound gratitude goes to the following people: my family, teachers, friends and classmates for their encouragement, support, advice, assistance and guidance.

I extend my gratitude to all my lecturers, administrative staff and colleagues at the St. Mary's University support and encouragement that they provided to me during this period. I also owe much to Niham International Business PLC. Management's body and employees for their overall encouragement for their co-operation and sincerity in providing access to information and filling questionnaires. Last but not least I would like to thank and gratitude all those who contributed directly or indirectly to my career, training and the elaboration of this research.

List of Abbreviations/ Acronyms

HRM: Human Resource Management

MBO: Management by Objectives

PLC: Private Limited Company

PA: Performance Appraisal

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Abstract

The purpose of this study was to assess the practices and challenges of performance appraisal of Niham International business PLC. A descriptive research design was used and data were collected using semi-structured questionnaires and interviews. The questionnaire is subdivided in to four parts. The questionnaire tries to touch every aspect of performance appraisal practice and challenges in Niham International business PLC. The findings of the study revealed that to some extent, the performance practice has been performed in the organization, but employees were not well informed about the standards of measurement in the appraisal process, and they were not given a chance to participate as well as review their ratings. Further, the practice is currently constrained by long and complex forms, excluding of importance aspects of performance appraisal practice and lack of adequate evaluators skill. In addition to these, the assessments of employee's performance appraisal practice did not have clear standards for appraisal. In due effect, employees faced challenges such as they are unable to identify their strength and weaknesses throughout the development. Based on the research the company should make the PA process to have a proper feedback method to employees and it must be done scientifically using appropriate standards.

Key words: Performance Appraisal, Performance Process, Performance Standard ,Performance Practice, Performance Practice and Challenge

CHAPTER ONE

INTRODUCTION

This chapter start by discussing background of the study, then goes to stating the problem. After stating the problem, it lists basic research question. Based on the problems and the basic research questions it describes objective of the study. Then scope, limitation and significance of the study were discussed briefly. It thoroughly discusses the status and why the performance appraisal study was done. It asses the major problems regarding the performance appraisal in Niham International Business PLC. Finally, it concludes by discussing how this study was organized.

1.1. Background of the Study

Performance appraisal processes have become prominent in recent years as means of providing a more integrated and continuous approach to the management of performance. It was provided by previous isolated and often inadequate merit rating or performance appraisal schemes. Performance appraisals based on the principle of management by agreement or contract rather than management by command. Organizations need the internal processes that develop the most of organizational policies, practices, and design features for the interaction to produce and support employee performance (Grumman & Saks, 2011). It emphasizes development and the initiation of self-managed learning plans as well as the integration of individual and corporate objectives. It can, in fact, play a major role in providing for an integrated and coherent range of human resource management processes which are mutually supportive and contribute as a whole to improving organizational effectiveness (Brum & Brach, 1988).

Performance appraisals a planned process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. In this respect, it focuses on targets, standards and performance measures or indicators. It is based on the agreement of role requirements, objectives and performance improvement and personal development plans (IRS, 2003). Performance is a continuous and flexible process, which involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results (Armstrong, 2006).

Employee's performance appraisal is a subject of great interest in any organization. In every organization, employees play a vital role in determining its survival (Rusli Ahmad, 2007). In line with that, an employee is perceived as an important or valuable asset to an organization and is the key or prerequisite factor to make sure the operation of the organization or factory runs as planned. Employees become the heart and pulse of the organization and really important to determine the needs and expectancies of the client or customers (Muhd Rais Abdul Karim, 1999). This is aligned with the purpose of performance appraisal in the contemporary approach which emphasizes on employee who has full potentials that can be explored and expanded. Employees can be used positively to sustain the quality of service or product of the organization. This is associated with the roles and responsibilities of the employees to perform at the highest level of their work competencies. Performance appraisal become more constructive and therefore the progress of the employees is improved (Rusli Ahmad, 2007). With the achievement of the organization's vision and mission, employees can work together collaboratively with the organization itself based on the win-win basis. In this context, performance appraisal can turn out to be a good device to plan a better career path for the employees.

The term performance appraisal is sometimes called as performance review, employee appraisal, performance evaluation, employee evaluation, employee rating, merit evaluation, or personnel rating. Performance appraisal is a system that involves a process of measuring, evaluating, and influencing employees' attributes, behavior and performance in relation to a pre-set standard or objective (Ahmad and Bujang, 2013). Performance appraisal can be seen as the systematic description of individual job-relevant strengths and weaknesses for the purposes of making a decision about the individual. In another term, performance appraisal is a process of evaluating the behavior of the employees in the workplace, or can also be referred as a process of giving feedback on employees' performance. It involves a very complicated process and various factors can influence the process. Therefore, the process of evaluating employee's behavior should be looked at as a reciprocal process or using a matrix perspective and not as a straightforward process (Rusli Ahmad, 2007).

Performance appraisal focuses on future performance planning and improvement rather than on retrospective performance appraisal. This research tries to accomplish different targets, by which it increases the performance of a company and then the concept of this study will be

implemented across different companies. It functions as a continuous and evolutionary process, in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs. It is mainly concerned with individual performance but it can also be applied to teams (Armstrong, 2006). People in organization are viewed as the driving force for the success of organization because of their skills, competencies, knowledge, and experience (Harrison and Kessele)

However, despite the various methods and management instruments, the significant element of enterprise performance and innovation processes is employed; Employee performance is outcomes achieved and accomplishments made at work (Anitha, 2014). Delery and Doty (1996) supposed that strategic approaches and organizational structure of company to improve the performance of human resources are significant tools for achieving organizational objectives. Therefore, this research intends to assess the practice and challenge of employee's performance appraisal and it assesses the major problems regarding the performance appraisal in Niham International Business PLC

1.2. Background of the Organization

Niham International Business PLC established according to Ethiopian trade law in 1997. From the day of establishment till now it has been playing a great role in country development focusing on the business of construction as major supplier of remarkable dry freight service transport, cement market, machinery rental service and so many more. As many businesses in Ethiopia the company comes to existence through family inspiration and support in understanding the market. As the company gives these services to its providers the company wants to investigate the effect of performance appraisal practice in its day to day business activities.

Niham International Business PLC has taken the same way of establishment as a privately owned company. The company moves into new development of expansion by widening up the transportation and machinery rental service, import and export etc. It delivered to many government agencies and private construction and agri-businesses in delivering its effective and diligent service to the sector.

Niham has professionals who work in the various section of the company. The company employs various manager, financial personals, administration, logistics, transport, technical, operational, business, sales. import- export, engineering departments and personals. These various section of departments assists in the ongoing business activities as a one entity. Working with this kind of enterprise the researcher aims to assess what is the current way in which they manage their employees and how do they evaluate their employees, and how do they reward their employees. There are various peoples in the company on different positions the researcher wants to check whether there are assessed properly. The researcher wants to check how the performance appraisal practice in which they do that could affect the rest of the business. Since Niham is composed of various branches and sub-branches this study took the organization as a sample to study.

1.3.Statement of the Problem

Performancemanagementisimportantforanorganization,asithelpsorganizationsensuringemployees are working hard to contribute to achieving the organization's mission and objectives.

Niham International Business PLC has its own way of performing performance assessment of its employees. It has a method in which it uses a format of different questions in it to evaluate the performance using the nearest team-leader and supervisor. This evaluation might be subjective with when the nearest person does the evaluation, because most of the time the communication between the employee and the supervisor might affect the results. After the evaluation is done it will be sent to managers and the manager decides whether the employee should receive warning or incentives. This method might be one of the methods of evaluating performance appraisal but the company must make sure this approach efficient enough. Below there are points raised which how the performance appraisal is done and its major problems. It discusses the problems regarding the PA process with its effect with the overall organization mission and objectives.

Performancemanagementsetsexpectations

foremployeeperformanceandmotivatesemployeestoworkhardinwaysthat is expected by the organization. Moreover, performancemanagementsystem provides a completed and professional management process for organizationsto assess the performance results of organizations and employees. Employee performance could be expected, assessed and encouraged (Ying, 2004). poor performance

evaluation results in managers' inconsistency, evaluators' subjectivity, job dissatisfaction/low morale of employees, high retention rate of employees, inconsistency of feedback, poor employee/managers' relationship, hinder professional development, diminishes chances for merit raises. These arise due to irrelevance of the criteria used to evaluate the performance of the employees, lack of skills and knowledge of the raters, the subjectivity, favoritism and bias of the raters, inability to provide feedback as to the results of the performance evaluation (Molefhi, 2015).

Lack of alignment of PA due to various organizational processes being created in isolation is the basic challenges of performance appraisal practices. The link between strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. Performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements (Williams, 1998). Further, poor measures are developed, in many cases targets are set but no relevant measure is put in place. In other cases, no data can be collected or is kept as evidence to track performance (Armstrong, 2008).

The Leadership and Management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success. Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The responsible management at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently (Ngumbau, 2013).

Organizations' can perform well or poorly due to external forces, such as the state of competition in the market place, long-term weather patterns, legal restrictions or the level of interest rates and taxation. However, the majority of economists and commentators agree that the biggest influence on organizational performance is the quality of the employees at all levels of the business (Jones, 1995). Many practitioners are still very wary of working to a scheme, which attempts to measure the immeasurable, communicate performance to the inattentive and make extra payments to the ungrateful. The success of an organization depends on the performance of the employees. These employees and their day to day work commitment and practice determine the overall

performance of a company (source). The overall performance of an organization depends on the performance of its employees. Most of well-established company's assess the employee's performance on annual or quarterly basis in order to define that needs of improvement.

As Niham International Business Private Limited Company the performance appraisal's started in before five years ago and from that time it practicing the appraisals up to now. There exists various inconsistencies and problems in the practice of performance appraisals process. The first one is performance appraisal is done in unscientific way without knowledge. The second problem is the performance appraisal process is vague and unclear to employees, they do not have basic understanding of the performance appraisal process. The most important thing which is left out is they do not give feedback after performance appraisal process. Last but not least employees do not have willingness to participate in the performance appraisal process. These are the major problems which exist in Niham regarding PA process why working on this problem will make a notable assessment on this organization. The purpose of this study therefore, is to assess how the performance appraisal is practicing and its implementation challenges at Niham International Business Private Limited Company

1.4. Basic Research Questions

- How is the practice and procedure of performance appraisal in Niham International Business PLC?
- What are the challenges of performance appraisal practice in Niham International Business PLC.?
- What are the merit and demerit of the performance appraisal practice of Niham International Business PLC?

1.5. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to assess the practice and challenge of employee's performance appraisal.

1.4.2. Specific Objectives

- To assess the practice and procedure of performance appraisal of Niham International Business PLC.

- To examine the majors challenging of performance appraisal practices
- To find the merit and demerit of the performance appraisal practice of Niham International Business PLC.

1.6.Scope of the Study

A complete evaluation and judgment of employee evaluation practice and challenges in all sector is a very much task and time taking. However, it is necessary to narrow down this study into a manageable size due to cost and time. Therefore, this study was confined to assess the employee evaluation practice at Niham International Business P.L.C. The studied subjects are employees that currently work in the Niham International Business PLC. These employees are from various branches and departments. These employees are eligible for the sampling. Since the company has numerous employee's selection of these employees is variable so most employees selected are from the central branch department who are currently under evaluation and in constant improvement. Although most of the respondents belong to the AddisAbaba head office, the performance appraisal process of all the branches has been scrutinized. Moreover, the study explains with attempt to address the practicing and challenges of employments performance appraisals how was managing practicing in the organization, understanding and perception towards and its opportunities and challenges to both the organization and the employee.

1.7.Significance of the Study

The responsibility of carrying out any activities has its own either long term or short term significances. This study has also much significance. Among other, it used as a reference to those who need to conduct research on these topic, the result of the study helps the managers and employees of this organization to assess the practice of employee evaluation in their organization, it also helps the researchers (team members) to acquire the knowledge's to-research work. The research will assess the employees' performance evaluation practice at Niham PLC... This in turn clarifies the current evaluation practices and their effectiveness. Since this model can be extended into other companies to create more awareness in the human resource management of employees. These employees who work hard or have high performance rate will be rewarded properly and can be made as model employees for motivating fellow employees. Therefore, this research will increase the performance of the employees and an overall effectiveness of the company.

1.8.Organization of the Study

This research paper has five chapters on the topics of performance appraisal practices. The first chapter is introduction about the research. Then the second chapter is about literature review where we discuss the different concepts regarding to practices and challenges of PA from related works done previously, and books written on this title. Chapter three is study design and methodology, which discuss deeply how the research is performed and what are the materials, methods involved in this research. The chapter four discuss the way of data analysis and interpretation. By which it means the paper will verify the collected data and the response will be studied deeply and the result of the data will be interpreted from the given information. The chapter five deals with the summary, conclusion and recommendation of the study based on the findings. Bibliography and appendices are included at the end of the chapter five for is reference.

CHAPTER TWO

REVIEW OF LITERATURE

This section reviews with the major literatures written on practices and challenges of employees' performance appraisal process. Which consist of general concept of performance appraisal process in the eyes scholars like Murphy, Lopez, Kumari and other major scholars. It discusses history of PA, concept of PA, purpose of PA, guidelines of PA for successful measures of performance of employees. The review also covers key terms and concepts of performance appraisal practices.

2.1.Theoretical Literature

This section reflects the relationship of the three components related to the management of employees and their capabilities in their work surrounding and HR management control system. Selected components are levels of strategic management of internal working environment and represent the multilevel structure of HR management for companies. Their interaction is not universal for each company. Each element is able to affect the employee performance and workspace depending on the types of changes in each level so we see the theoretical parts of literature detail as follows. These theories are interconnected by their influence at the employee performance and the working environment

2.1.1. Historical Development of Performance Appraisal

While the importance and usage of performance appraisal has grown over the past 45 years, the formality of evaluating employees through the use of performance appraisal has been present for centuries (Murphy & Cleveland 1995).

It can be traced back to the third century A.D. when Sin Yu, Chinese philosopher, was critical of a prejudiced rater working for the Wei dynasty on the basis that "the Imperial Rater of Nine Grades seldom rates men according to their merits but always according to his likes and dislikes" (Patten, 1977). In the 1500s, St. Ignatius Loyola developed a process to assess the members of his religious order (Lopez, 1968). In 1648, the *Dublin (Ireland) Evening Post* purportedly rated lawmakers using a rating scale based on personal character traits (Hackett, 1928 as cited in (Murphy & Cleveland 1995). The first business use of merit rating was probably made by Robert Owen at his cotton mills in New Lanark, Scotland, in the early 1800s (Heilbroner, 1961). In the

cotton mills, wooden cubes of various colors representing various levels of merit and achievement were hung over each employee's work area. As employee performance varied, the wooden cube was changed to reflect it.

2.1.2. The Concept of Performance Appraisal

Performance appraisal could have given many definitions in literatures; the English oxford dictionary defines performance as the “accomplishment, execution, and working out of anything ordered”. According to Armstrong & Baron (2005), performance is not only a matter of peoples achievement, rather it is how they achieve it. Performance is a multidimensional concept in which its measurement depends on a number of factors (Brumbach, 1998). Vallance (1999), also defined performance appraisal as a disputed management practice with much controversy in it; it is used constantly around the world in most of public sectors as an instrument to manage the performance of its employees.

A performance appraisals system consists of the processes used to identify, encourage, measure, evaluate, improve, and reward employee performance at work. performance is accomplishment, execute, carrying out, and working out of anything ordered or undertaking (Michael Armstrong, 2010). In this point one can understand how implies output –out come relation will be attached more over performance is about during the work as well as about the outcome how will be accompanied. And he clarifies performance is usually regarded as simply the end resulted of a record of individuals' activities. In addition, he argued that performance is something that the person's leaves at the back and that exist apart from the rationale (Armstrong, 2010).

Performance appraisal is a systematic and objective way of judging the relative worth of ability of an employee in performing his task. Performance evaluation helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance (Stephens, 2005)

Lansbury (1988), also defined performance appraisal as “The process of identifying, evaluating and developing the work performance of employees in the organization”; as a result of this the organization goal and objectives would going to be effectively achieved, simultaneously, the employee would benefit in terms of recognition, receiving feedback, catering for work needs and offering career guidance. Carrol & Schneier (1982), defined performance appraisal like as “ the

process of identifying, observing, measuring, and developing human performance in organization”; this definition of performance appraisal is described in better way than other authors at least in such way that it involves better points that could really use to implement appraisal system.

Different authors defined performance appraisal in different ways and contexts; some of them are mentioned above. From those many definitions the definition given by Kumari and Malhotra got the best suited this research:

“What is expected to be delivered by an individual or a set of individuals within a time frame. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered”(Kumari & Malhotra 2012 p.78).

2.1.3. Purpose of Performance Appraisal

The term performance appraisal become important activities used for many organizations to assess employee act and develop their competence, improve their existing performance, and provide rewards (Fletcher, 2001). According to Grote (2002), performance appraisal is used for providing feedback to employees about their performance, facilitating decisions concerning pay increases, promotions, layoffs, encouraging performance improvement, setting and measuring goals, determining individual and organizational training and development needs, confirming that good hiring decisions are being made, provide legal support for personnel decisions, and improving overall organizational performance.

The fundamental purpose of performance appraisal is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It is owned and driven by line management. Essentially, performance management is concerned with the encouragement of productive discretionary behavior (Armstrong, 2006).

Thomas and Bretz (1994) provides several purpose for performance appraisals including motivating employees, assessing employee potentials, improving workings relationships,

assigning work more efficiently and assisting in long range planning's. Generally speaking, performance appraisals serves two basic purpose evaluation or administrative as the term appraisals implies, and the seconds is developmental (Mickinnon ,1993; Ryenes, Gerhart and Parks, 2005).

It is used to not only enables organization to makes decision about individuals, but also to compute candidates on some types of objectives basis (Brinkerhoff and Kanter). The developmental functions are forwards looking's directed towards increasing the capacity of employees to be more productive, effective, efficient and satisfied in the future. It covers such things as jobs skills, career planning's, employee motivation and effective coaching's between mangers and subordinates .it is any endeavor concerned with enhancing attitudes, experience and skills that improve the effectiveness of employees (Boswell and Boudreau,2002).

Boice & Kleiner (1997), suggests also the general purpose of performance appraisal is to make employee know how his/her performance looks compared with the managers expectation. Again, this is a one dimensional view. Thomas & Bretz (1994), explains the purposes of performance appraisal which includes: motivating employees, assessing employee potential, improving working relationships, assigning work more efficiently, and assisting in long-range planning. Normally, performance appraisal has two important purposes: the first is evaluative as the term "appraisal" implies, and the second is developmental (Brinkerhoff and Kanter, 1980). The evaluative function refers to the extent to which there has been progress toward goals as a result of the employee's efforts. It is backward looking where past performance is reviewed in light of the results achieved. It can include the use of performance appraisal for salary management, promotions, terminations, layoffs, and identifying poor performance (Boswell and Boudreau, 2000). According to Duraisingam & Skinner (2005), performance appraisals are useful for organizations in several ways including; it helps for Professional development , determines organizational training and development needs making and validating administrative decisions, and identify systemic factors that are barriers to, or facilitators of, effective performance (Duraisingam and Skinner, 2005).

Murphy & Cleveland (1995), suggest a key purpose of performance appraisal is to determine pay and other financial compensation. The most obvious reason for appraising an individual is to

secure its improvement (Harrison and Goulding, 1997) and it follows that securing performance improvement for all individuals, will enhance wider organization performance. Common to almost all purposes of performance appraisal are the concept of improving performance and developing people. Overall, some critics focus on organizational goals as the key purpose, many focus on individual performance improvement. Furthermore, achievement of organization goals, setting of individual objectives, evaluation of individual performance against objectives, improvement of performance, and allocation of rewards are the other main purpose of performance appraisal (Mooney, 2009).

2.1.4. The Process of Performance Appraisal

According to Dargie (2007), the main purpose of performance appraisal is getting employees performing effectively; hence, in pursuit of realizing the purpose of performance appraisal, organizations should do sequentially: establish performance standard, communicate standards to employees, measure actual performance, compare performance with standard, discuss appraisal with employees, and initiate corrective action.

Identifying and establishing a standard is the first step in appraising personnel performance; a standard is a criterion or measure which is used to compare against the actual performance (Baird, et.al, 1990). Further, they explain that employee job performance standards are established based on the job description and employees are expected to effectively perform the duties stated in the job description. Therefore, job descriptions form the broad criteria against which employee's performance is measured. If the performance appraisal system needs to achieve its objective, the employee should understand the standard in which their performance measured against. Werther & Davis (1996), states, to make employees accountable, there should be a written standard and employees should be advised of those standards before the evaluation occurs. If employees had the opportunity to understand the performance appraisal standard it will enhance their motivation and commitment towards their jobs (Dargie 2007).

Once an individual be employee of a certain organization his/her performance and progress should be monitored continuously in a systematic way. This is the responsibility of the immediate boss to observe the work performance of subordinates and evaluate it against the already established job performance standards and requirement. The aim of performance measure is to detect departure from expected performance level (Dargie 2007). Further, he

explains after evaluating and measuring employee's job performance it is necessary to compare it with the set standard to know whether there is deviation or not. When one compare performance with the standard either performance match standards or performance does not match standards.

If the performance appraisal system is needed to be effective, the development process should be participatory; the employees must actively participate in the design and development of performance standards. The participation will enhance employee motivation, commitments towards their jobs, and support of the evaluation feedback. In other words, employees must understand it, must feel it is fair, and must be work oriented enough to care about the results (Glueck, 1978). After the evaluation is done, the one responsible for giving the rank must describe work-related progress in a manner that is mutually understandable. Further, according to Glueck (1978), every positive and negative feedbacks had a reaction, the reaction to this feedbacks varied depending on a series of variables such as: importance of the task and the motivation to perform it, how highly the employee rates the evaluator, the extent to which the employee has a positive self-image, and the expectancies the employee had prior to the evaluation.

After doing all this the last step performance appraisal is taking corrective action. The management has different alternatives after appraising process ends; the management could take no action, correct the deviation, or review the standard. If problems found were not as such significant, it may be wise for the management to do nothing. To the other side, if it is found significant problems, the management must analyze and identify the reasons why standards were not met. This would help to determine what corrective action should be taken (Chatterjee, 1995).

2.1.5. Guidelines for a Successful Performance Appraisal System

A number of researches have been conducted in order to determine the components of a successful performance appraisal system. Some of them will be discussed below; according to Longenecker & Fink (1999), a successful performance appraisal system should contain three important components: system design, managerial practice, and appraisal support system.

The system design component should contain a clear and defined purpose for conducting performance appraisal. Every employee should have the information why performance appraisal is being conducted and the specific goals for it. The specific goals will allow the managers to

select performance criteria that will support the organization's objectives and increase the motivation of the managers to carry out the appraisals properly. Further, effective systems design should have the input of managers and employees in the design, development, and choice of criteria used in the appraisal. This promotes acceptance and ownership of the system by the employees which then increases the effectiveness of the system.

The second critical component of a successful appraisal system defined by Longenecker & Fink (1999) consists of three factors concerning managerial systems practices; supervisors must conduct performance planning at the beginning of the appraisal cycle, supervisors must provide ongoing, informal feedback to their employees throughout the course of the appraisal cycle so that there are no surprises when the formal appraisal takes place, and finally, supervisors must be motivated to carry out effective appraisals. This is best accomplished when the supervisors themselves are given effective appraisals by their manager because it sets a good example of how appraisal should be done and it indicates the importance of appraisal in the organization.

The third and final component of an effective performance appraisal system describes organizational support of the appraisal system (Longenecker and Fink, 1999). Here, according to them the first factor is performance ratings must be linked to organizational rewards. Greater rewards should be linked to superior job performance because this increases the motivation of the employees to perform. If this link is absent, employees will tend to perform only to minimum standards. A second factor is appraisal systems must be supported and demonstrated by the top administration. This can be accomplished by administrators giving effective appraisals themselves, and by supervisors and employees communicating about appraisal through memos, organizational newsletters, and testimonials. A final factor is appraisal systems need continuing systems review and changes/improvements to ensure that procedures are being followed correctly and are effective. This could be accomplished by measuring the acceptance and trust of the system by the employees, comparing the relationship between performance and rewards, and reviewing the consistency of implementation of policies and procedures across all departments and locations.

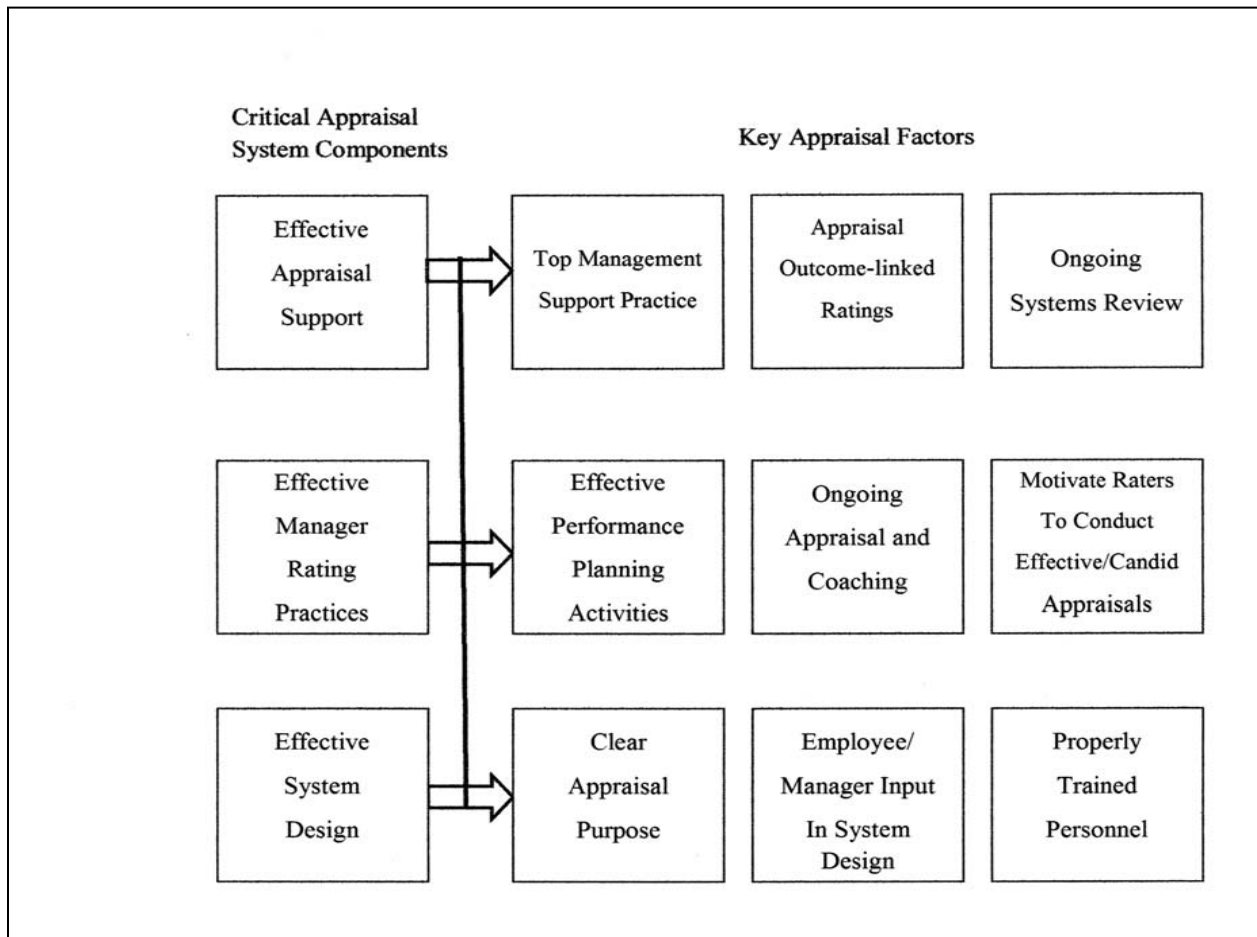


Figure 1 A Systems Approach to Effective Appraisals

Source: adopted form Longenecker & Fink (1999), cited on Flaniken (2009)

Seldin (1988) provides a list of guidelines that are useful in developing a successful evaluation program. Many of these guidelines are similar to those given by Longenecker & Fink (1999) above and will not be listed here, but Seldin does suggest several additional guidelines:

1. The primary purpose of appraisal should be to improve the quality of the employees and their work, with an emphasis on the positive aspects of the performance rather than the negative aspects. The appraisal should focus on maintaining the strengths of the employees and building up their weaknesses.

2. The appraisal program, including its policies and procedures, should be in accordance with civil rights legislation and affirmative action clauses so that it can withstand any challenges from disgruntled employees in a court of law.
3. The appraisal program must relate closely with the traditions, purposes, and culture of the institution. The policies and procedures that work well in one college or university environment may not work well in another one.
4. The appraisal program must provide multiple sources of input for the employee being rated, including peers and those people who report to the employee, rather than just the input of the supervisor.
5. The appraisal system should be based on the concept that objective data is collected and understood with the purpose of making a subjective decision. The best system blends objective data into subjective judgment.

Apart from these, Winston & Creamer (1997) describe several factors that contribute to successful appraisal systems. The first factor concerns the dual purpose of performance appraisal; to provide evaluative feedback to the employee based on job requirements, and to provide developmental feedback to help improve employee performance. Thus, appraisal is related to both institutional needs and individual needs. Other factors noted by Winston and Creamer include emphasizing the importance of relating the reward structure of the institution to the productivity of the employees, understanding and accepting the influence of the organization's environment and culture on the performance of the employees, requiring the appraisal process to be both participatory and interactive among all the stakeholders, and having an appraisal system that has clarity, openness, and fairness. A study also completed by Smith (1996) two recommendations were suggested as components of effective appraisal systems; appraisal systems should have sufficient resources to provide training for the appraisers and to meet the developmental needs of the employees, and there should be required follow-up meetings between the supervisors and the employees after the initial appraisal.

2.1.6. How to Measure Employee Performance?

The most difficult part of the performance appraisal policy is to accurately and objectively measure the employee performance (Bond and Fox, 2007). Measuring the performance covers the evaluation of the main tasks completed and the accomplishments of the employee in a given

time period in comparison with the goals set at the beginning of the period (Rudman, 2003). According to Kuvaas (2006), measuring also encompasses the quality of the accomplishments, the compliance with the desired standards, the costs involved and the time taken in achieving the results. Bond & Fox (2007), contend that measuring employee performance is the basis of performance appraisal policy and performance management. Accurate and efficient performance measurement not only forms the basis of an accurate performance review but also gives way to judging and measuring employee potential (Fletcher and Bailey, 2003).

For the purpose of measuring employee performance, different input forms can be used for taking the feedback from the various sources like the supervisor, peers and the employee (Markle, 2000). According to Rudman (2003), all the perspectives thus received should be combined in the appropriate manner and to get an overall, complete view of the employees' performance. Bond & Fox (2007) state that some suggestions and tips for measuring employee performance are:

- Organizational outcomes or the achievement of organizational goals should also be kept in mind;
- If possible, collect the feedback about the performance of the employees through multi-point feedback and self-assessments; and
- Also take note of the skills, knowledge and competencies and behaviors of the employees that help the organization to achieve its goals.

According to Anderson (2002), for an organization to be effective for its goals, it is very important to monitor or measure its employee performance on a regular basis. Effective monitoring and measuring also includes providing timely feedback and reviews of the employees for their work and performance according to the pre-determined goals and solving the problems faced (Mani, 2002). Rudman (2003) highlights that timely recognition of the accomplishment also motivates and helps to improve the performance of employees.

According to Aguinis (2009), measuring the performance of the employees based only on one or some factors can provide with inaccurate results and leave a bad impression on the employees as well as the organization. For example, by measuring only the activities in employee's performance, an organization might rate most of its employees as outstanding, even when the

organization as a whole might have failed to meet the goals and objectives. Therefore, a balanced set of measures should be used for measuring the performance of the employees (Kuvaas, 2006).

2.1.7. Performance Appraisal Evaluation Methods

Performance evaluation methods are the systems and processes through which appraisal is carried out in an organization. The methods include determining the types of data collected and evaluated in the appraisal, the forms and frequencies of communication that take place between supervisors and their employees, and the various types of evaluation tools used to measure performance. It is important to understand the evaluation methods used because they can influence the usefulness of the appraisal system in an organization and the perceived or actual benefits gained from its use.

Performance evaluation methods have been described by multiple authors in various ways. Three of these methods, as described by Landy and Farr, Berquist and Tenbrink, and Sims and Foxley, are mentioned here. Landy & Farr (1983) define a method in which the performance appraisal data is organized into two groups: judgmental or subjective measures and nonjudgmental or objective measures. Although judgmental measures are more broadly used, objective performance measurements (e.g. production rates, time to complete a task, and scrap rates) have been helpful measures of performance for routine, manual jobs since the 1940s (Rothe, 1946). Other nonjudgmental indices that do not assess performance directly but provide information on the general health of the organization, including absenteeism, turnover, and accidents, have also been researched (Campbell *et al.*, 1990).

Objective measures do have their unique problems, however. For example, absentee measures are not applicable to many jobs, are often inaccurate, are caused by a variety of reasons depending on the meaning of absence, differ in the duration of observation, and do not show a relationship with each other (Murphy & Cleveland 1995). Using turnover as a standard is complicated because it is hard to differentiate between voluntary and compulsory turnover. Grievances are not typically obtainable for nonunion employees. Accidents could be caused by the people or by their environments.

The rate of promotion or salary increases are not good standards because the rate could be controlled by a quota set by the organization and salary modifications could be influenced by the economic well-being of the organization rather than employee performance. These problems challenge the validity of the measures (Murphy & Cleveland 1995).

Landy & Farr (1983) also identified several problems with objective measures and potential reasons why judgmental measures have been used instead by psychologists for evaluating managerial behavior. First, objective measures tend to have low reliability. For example, factors external to the individual, such as the organization's sick leave policies, may influence the reliability of absence measures or the period of inspection may not be constant across measures. Another reason is that objective measures may be obtainable for only a partial number of jobs. For example, it does not make sense to collect information on tardiness or absences from sales representatives or development employees who may not work a fixed number of hours per day or per week. A final inadequacy of objective performance measures is the changing nature of skilled and semi-skilled work. When employees who operate machines are replaced by employees who just tend to a machine, the output of the job can become more reliant on the machine functioning correctly and its related downtime, rather than upon the ability and output of the machine operator. The changing nature of work implies that subjective measurements may continue to be more popular and useful compared to objective measures (Murphy & Cleveland 1995).

The use of management by objectives (MBO) to define and measure job performance is often used with managerial and executive performance. There is a particular importance placed on the contribution of the employee to the organization's goals and results (Drucker, 1954). There are several elements common to MBO programs. First, MBO includes involvement in goal-setting. The supervisor and the subordinate work together to define the goals and performance measurements for the subordinate. They decide what needs to be achieved and how the achievements will be measured. Secondly, MBO entails objective feedback regarding advancement towards accomplishing the goals. In a MBO system, performance is likely to be defined in terms of measurable outcomes. However, the setting of goals, targets, and objectives is very subjective, involving negotiation between the manager and the employee (Murphy & Cleveland 1995). If a high performing employee fails to achieve his or her goals, it is not unusual

for the manager to renegotiate objectives so that the manager can be sure that the capable performer will obtain outcomes that are seen as good performance. Two of the disadvantages of a MBO system include a significant amount of paperwork, particularly in the beginning stages of a new system, and the concern that MBO tries to make unclear responsibilities and goals exact and compels employees to measure objectives that are not measurable (Berman, 1980).

In a second method of describing evaluation processes, Bergquist & Tenbrink (1977) found six primary approaches used to evaluate college and university administrators:

1. Unstructured narration. In this approach, the supervisor provides a written assessment of the employee's strengths and weaknesses, along with suggestions for improvement. It is assumed the supervisor will write a thoughtful statement using firsthand knowledge of the employee and that this approach will be as productive as any more formal approach. If it is done well, it can provide excellent detailed information about the performance of the employee. However, this approach makes it difficult to do comparisons among several employees because each evaluation could focus on diverse aspects of each employee's performance.
2. Unstructured documentation. In this approach, the supervisor documents the activities and accomplishments of the employee by requesting letters of recommendation, interview data, daily logs, and ratings of other employees in programs under the responsibility of the supervisor. The approach primarily involves independent evaluation and does not represent a formal program. It also does not produce information concerning the activities and successes, or objectives and failures, of the employee during the appraisal time.
3. Structured narration. This approach requires the supervisor to answer a series of questions about the employee's performance. The questions might include such things as what are the employee's greatest strengths, where are the greatest needs for improvement, what would this employee's colleagues say about this employee, and to what extent has the employee fulfilled the following goal.
4. Structured documentation. In this approach the supervisor and employee agree on the performance categories (e.g. job functions, skill areas, performance objectives) that are meaningful for the employee's position. This can be done with the input of subordinates, peers, instructional employees, and others who understand the position at hand. At the

end of the evaluation period, the employee provides an explanation of how he or she performed against the performance categories. It is then up to the supervisor to document the claimed successes of the employee.

5. Rating scales. This is the most widely used method of evaluating administrative performance and many types of scales are used. Some drawbacks to using scales include they are usually not tailored to specific positions, the characteristics used for appraisal may not be appropriate or may be incorrectly scaled, and scales do not provide the depth of understanding that a thoughtful narrative appraisal provides.
6. Management by objectives. In this approach, as mentioned earlier, the focus of the appraisal changes from the personal attributes of the employee to performance in the job. It is a results-oriented rating technique that is dependent on goal setting to create objectives for the employee.

These six approaches resemble, in many ways, the subjective measures described earlier by Landy and Farr with the exception of management by objectives that was described by both Landy & Farr (1983) and Bergquist & Tenbrink (1977) as an objective measure.

In a third method for describing evaluation procedures, Sims & Foxley (1980) provide four classifications used by student affairs professionals: comparative methods, absolute standards, management by objectives, and direct indexes. Comparative methods include:

- (a) rank-ordering all employees from lowest to highest in effectiveness;
- (b) alternately choosing the most effective and then the least effective employee, moving their names to separate lists and repeating the process until all names have been removed from the initial list;
- (c) comparing each employee to every other employee and determining a final ranking based on how many times the employee was ranked above the other employees; and
- (d) a forced distribution where a certain percentage of the employees are classified as top performers, perhaps a second group in the next tier, and then another group assigned to the lowest performing group.

Absolute standards methods have several variations including critical incidents, weighted checklists, forced choice, conventional rating, and behaviorally anchored rating scales. Critical incidents involve identifying the significant requirements of a job and the supervisor is asked to

rate each employee on each category. Weighted checklists involve compiling a list of employee goals that the supervisor uses for each employee to determine which of the goals was completed. Forced choice requires the supervisor to choose the most descriptive statements for each employee using a list of items that differentiate between successful and unsuccessful completion and between desirable and undesirable employee traits. Conventional rating involves rating employee traits on a form using such categories as excellent, average, and poor. Behaviorally anchored rating scales are a quantitative version of the critical incident method that uses scales anchored in descriptors of actual position behavior and specific levels of performance.

Management by objectives was mentioned previously and does not need to be reviewed again. The fourth classification described by Sims & Foxley (1980) is the direct index method which typically uses the measurement of outputs from each employee and is rarely used in student affairs.

The above three examples of evaluation methods provide a comprehensive overview of the types of methods most often used by various organizations. They fall along a continuum between subjective and objective methods and between unstructured and structured methods.

2.1.7.1. Rating Scale Format

The rating scale format deserves additional explanation because most of the research on performance appraisal is about the design of appraisal scales. The issues deal with (a) comparisons between persons (norm-referenced criteria) and comparisons with a standard (criterion-referenced formats), (b) use of trait compared to behavioral anchors, (c) the best possible quantity of anchors, (d) establishing formats conducive to the smallest number of rater errors, (e) scaling of anchors, and (f) comparison of format validity (Murphy & Cleveland 1995). Within the rating scale format, most research has been done in the area of criterion-referenced scales with the goal of increasing the measurement quality and the values that such scales generate (Murphy & Cleveland 1995). The research endeavored to understand the meaning of the response categories or anchors, the kinds of anchors (trait, behavior, adjective, number, etc.), and the quantity of anchors that yielded distinct ratings and that raters found adequate. Other attempts to improve the graphic scale included the Behaviorally Anchored Rating Scales, the Behavioral Observation Scales, the Mixed Standard Rating Scale, and the Forced-Choice Rating Scale.

Rating scales use words or phrases to indicate the extent to which a behavior or attribute is present. In a rating scale using traits, a supervisor is asked to rate an employee indicating the extent to which the employee is, for example, industrious, energetic, or cooperative, using a 1-to-5 scale (where 1 equals “Never” and 5 equals “Always”) based on how often the employee demonstrates that behavior. Since trait scales are susceptible to rating errors (Brown, 1988), the behaviorally anchored rating scale has gained more favor because it is consistent with job analysis and position descriptions that are focused on behaviors rather than traits. Supervisors compare their employees’ performance with descriptions of position-related behavior.

When rating scales are used, there is an assumption that the appraiser is relatively objective and precise. However, the appraiser’s memory could possibly be fallible and the appraiser may subscribe to assumptions about the person being evaluated that may or may not be accurate. The appraiser’s intentional or unintentional biases produce rating errors. Seldin (1988) provides a list of five potential biases that could arise in this situation:

1. Halo bias refers to the tendency of supervisors to be influenced in one area of performance by the rating they gave their employee in another area of performance. For example, a high rating in the area of leadership may influence the rating given in interpersonal skills or job knowledge. A low rating in self- development may carry over to a low rating in quality of work or customer service.
2. Leniency occurs when a supervisor gives a disproportionate number of favorable or unfavorable ratings. For example, a kind, soft-hearted supervisor might give consistently favorable ratings while an irritable supervisor might be inclined to give consistently unfavorable ratings.
3. Central tendency bias refers to when a supervisor consistently gives average ratings and avoids the favorable and unfavorable ends of the rating scale. This both penalizes the outstanding performer and covers up the poor performance of underachievers. It also has a detrimental impact on the morale of other employees.
4. Recency bias occurs when recent events have more influence on the appraisal than less recent events. An employee’s entire year of very favorable performance can be negatively impacted by a single unfavorable event occurring just before the performance evaluation is completed. Or on the contrary, a mediocre performance over the course of a year can be overshadowed by one very recent success.

5. Guessing bias occurs when the supervisor does not have relevant information to render a meaningful judgment, but provides a response anyway based on some aspect of the employee's performance (pp. 49-52).

Seldin (1988) concludes that there is no simple way to evaluate performance despite significant advancement in evaluation procedures. However, he further notes that much of the concern over rating scales and bias is not warranted and that there are many ways to successfully evaluate employee performance. Even though rating scales are a critical area in performance appraisal supported by the research literature, it is not the focus of this study.

2.2. Empirical Studies

Niham international business plc follows a kind of question approach to evaluate the performance of employees. The company performs the performance appraisal process because, because PA plays an important role in the growth of the company. They rate their employees based on 9 questions for the regular employees and 12 questions for the managerial body. These question in turn filled by the nearest supervisor and then sent to the deputy manager. The company grades the employees to decide the employee promotion, status, incentives, warning or for termination of its contract. The major deciding committee the action for employees is the HR department in which it decides the status of the employee in the organization. This assessment id done at least one time per year. Here below there exist how the performance appraisal is done in other companies.

Dargie (2007), employed descriptive statistics to assessment of employees' performance appraisal practice in Abyssinia bank, Ethiopia; according to their analysis it has been found that rating scale method was used by the immediate supervisors. While the other raters including the employee themselves, the next in-line supervisor, review committee and the senior managers uses an essay method of evaluation. Further, he mentioned that the appraisers write a brief narrative description of employee's performance and characteristics which includes the major tasks the employees have performed, weakness and strength of the appraise, transfer to another post, promotion and other personal traits were described. In addition to this, the performance appraisal is done in to salary increment, grade promotion, transfer to another post and demotion or termination

Narban et al. (2016), tried to look the performance appraisal practices in hospitality industry in new-Delhi: an exploratory study; after a questionnaire survey from 21 hotels, the research found out that all the organizations, possessed a formal performance appraisal system as a method most of the hotels use rating system. Further, the results of the study indicate that the importance of human resources and the role of performance appraisals in hospitality organizations needs to be appreciated. Moreover, they indicate the practice of performance appraisal system had a visible problems including Old & dysfunctional system, prone to biases, absence of guidelines & confusion on rating, non-performance nature of the criteria, subjectivity, and Recency bias.

Bernard (2013), explores the performance appraisal System of the city government of Iloilo, Philippines. It determines the level of perception of the employees regarding the purposes of the performance appraisal system of the city of Iloilo, describes its nature, identifies its opportunities and challenges, and recommends for its enrichment which would be beneficial to the employees and constituents of the city. Descriptive-exploratory method was used in this study by utilizing mixed methodologies with focus group interview and survey questionnaires.

Ying (2004), carried out a research to define performance management system, employee performance and employee performance measurement, and also analyze the relationship between performance management system with employee performance. Basically, the research was analyzed in order to test the impact of performance management system on employee performance. The Kruskal-Wallis test and ordered logit regression were used to test the relationship and the results show the activities: continuous communication within organization and personnel development impact significantly and positively on employee performance. However, the results show that the performance management system has a positive but insignificant relationship with employee performance.

The researcher concludes on a few things such as, a performance appraisals system consists of the processes used to identify, encourage, measure, evaluate, improve, and reward employee performance at work. The findings show that, overall the employees were in agreement with all the items regarding the administrative purposes and developmental purposes of their PAS, however, comments and suggestions on its improvement on its feedback system were recorded by the researcher. The study also described the current PAS of the city as a system that is giving a fair appraisal to its employees.

The research also noted the opportunities and challenges of the current system and made recommendations for its enrichment. Insights and considerations for future studies were also given, as well as, the limitations of the present study.

2.3. Conceptual Framework

Different methods for performance appraisal practices exist, the major method that is used in the company comprises the following. The major steps include Planning, Standardization, Communication, Measurement, Feedback and Action of Management are the major procedures taken to performance appraisal process in Niham. As the process needs impartiality and making appropriate steps we need to make sure these steps should follow. This framework for performing the performance measurement which will be used as base for performing the study.

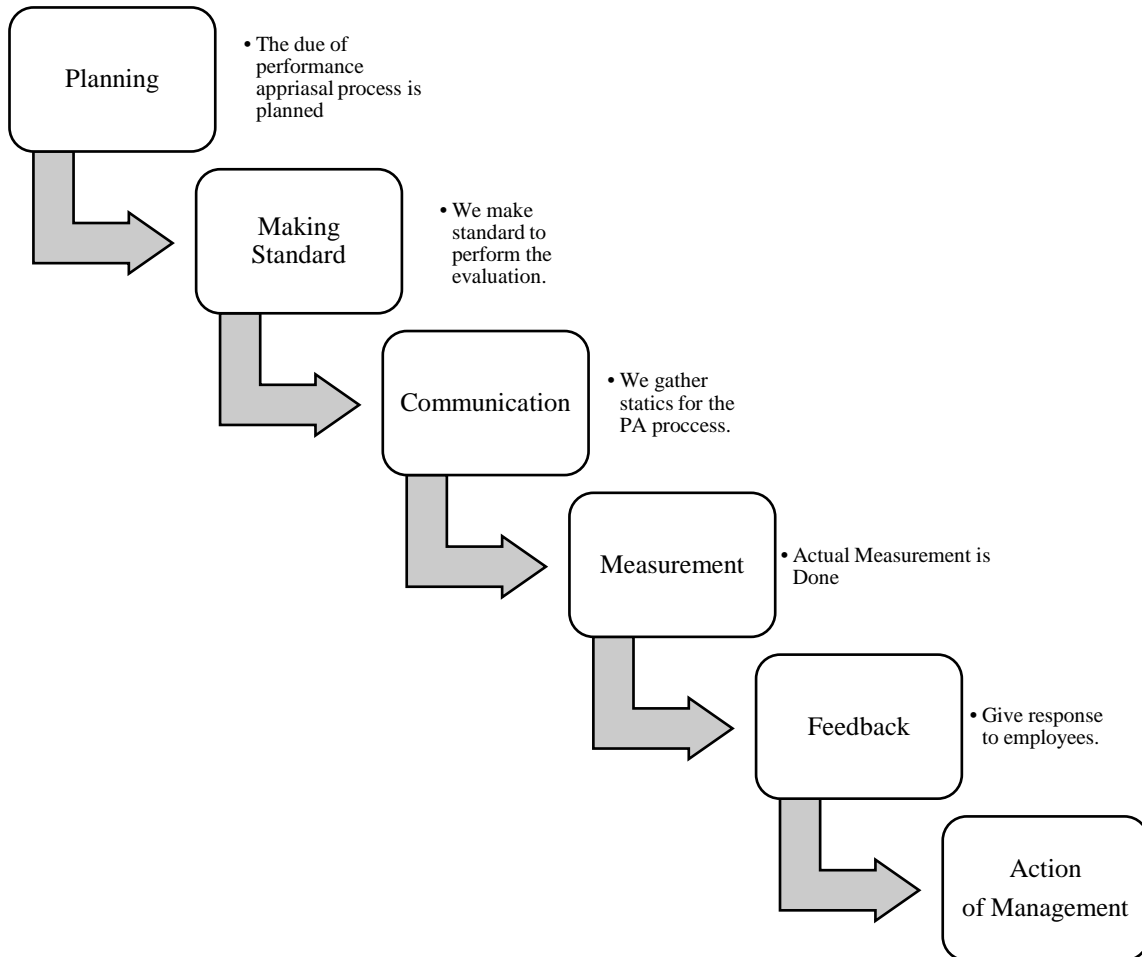


Figure 2 Conceptual Framework of Assessment of Performance Appraisal Process.

This is the overall Performance appraisal practice done in Niham as we can see most of the times the PA is done regularly following chain of processes to evaluate the employee performance. Planning, standardization and communication is done by the managerial body. As we have discussed before the standard that is used in Niham is a questioner form to be filled by the nearest supervisor. The supervisor takes a task of measuring the employee and giving feedback to the managerial body and also to the employee. Finally, the action of the human resource department follows to give a positive or negative action on the employee.

CHATER THREE

RESEARCH DESISGN AND METHODLOGY

The chapter briefly presents the methodologies applied in the course of the study. Research design, population, sample of and sampling techniques present in the first part of this chapter. It states what are the data sources and collection tools and it also states data analysis techniques, validity and ethical issues are part of this section.

3.1. Research Design

According to Robson (2002), three main research types in purpose point of view can bedistinguished: exploratory, descriptive and explanatory. Descriptive study is selected for research of those situations, in which the estimated interference is without a clear, single set of results (Yin, 2003). Since the main theme of the study was assessing the practice and challenges of employee performance appraisal descriptive research design is the appropriate type of research design and employed by the researcher.

3.2. Population, Sample Size and Sampling Techniques

3.2.1. Research Population

As the study assesses the practice and challenges of performance appraisal practice in Niham International business PLC, the employees of Niham International business PLC have been taken as a population. The population in the study were taken from workers in various position and branches of the company. The sample framework of this study was payroll registration of the company as of January 29, 2018. The company has 203 employees among them 116 were permanent staff member. So the research population taken using the formula developed by Yamane Taro (1967), in this study was those permanent staff members which were 116 in numbers who are white collar and participate in performance appraisal process and researcher determined the sample as 90 respondents.

3.2.2. Sample Size and Sampling Techniques

According to Lius (*et.al* 2005), Sample Size (targets population) is selective group that confirm to a set of specification, encompass the total population of the subject and the incest of the research that to generalize the obtained results. The sampling technique employed by the researchers in this study was simple random sampling. Since the research has not categorized employees into different sections here is no specific category.

Therefore, using the formula developed by Yamane Taro (1967), the researched determined the sample as 90 respondents.

The sampling was done according to the following.

$$n = \frac{N}{1+N(e^2)} \dots\dots\dots \text{Yamane Taro Formula}$$

$$n = \frac{116}{1+116(0.05^2)}$$

$$n = \frac{116}{1+116(0.0025)}$$

$$n = \frac{116}{1+0.29}$$

$$n = \frac{116}{1.29} = 89.9 = 90 \text{ Samples}$$

Where n= Sample Size

N= Total Population

e= Sample error that will be encountered

The sample size taken from each stratum based on property of end population size.

$$\text{Sampling \%} = \frac{n}{N} = \frac{90}{116} = 77.59\%$$

The sample size completed for the study by using the above is indicated below.

3.3.Type and Sources of Data

Primary and secondary data source will be used in this research .The use of these tow research source helps the researcher to get pertinent data relate to the study .The staff ,including the managements team ,is used a primary source of the study .Relevant documents of the organization ,policy ,guide line documents ,books ,journals ,other countries experience ,reports ,research articles related to the practicing and challenges employment performance appraisals are used to enrich the data gathering from the primary source.

The study mainly depends up on primary source of data. Primary data were collect from employees of Niham International Business P.L.C through close end and open end questionnaires. As the study was from the primary source the integrity and the appropriateness of

the data for the study will be not questionable. The research directly will be collect the needed data by using questionnaires, random and must verify to be feasible data.

3.3.1. Primary Data

The primary data is the information gathering interaction with other people through, one-to one interviews, focus group, surveys and meetings. Primary data are the data gathered and assembling specifically for research projects at hand (Zikmund, 2003). The purpose of the primary data is to improve the understanding and perform a direct assessment of the research topic by obtaining first information. In this research the primary data are collected using questionnaires survey.

3.3.2. Secondary Data

Secondary data will be information gathered from sources already existed (sekaran.2003). The secondary data usually past historical, and do not require access to respondents. Those type of data it may be outdated and may not exactly meet the researcher needs because they were initially collected for other purpose. In this study secondary data were collected from books, online journals, and articles through online data based, newspapers and dissertation done by other researchers.

3.4. Data Collection Instruments

The data was collected though questionnaires which are stated in the back of this document. This section presents the different instruments were used in the study to collect data and its procedures. However, data were collected using self-administer questionnaires and interviews. Moreover, close-ended questioners are prepared and used to gather information from employees selected to response.

3.4.1. Questionnaires Design

The layout of the questioners is simple to respondents in order to they can easily understand and answer them. The research is separate in to two part one and two. The former one collects the general information about respondents and the second one have variables that enable to determine the main effect of the paper. The questionnaires distributed to all section of employees that undergo performance appraisal practices. The questions were easy to interact with, they were in various forms like tock boxes, tables and some explanation question were included at last. There were questionnaires in Amharic language to make the respondents the question easily.

Questions were designed in a way to ensure maximum response rate. The questions were developed and evaluated on 1-5 Likert scale ranging from strongly agree to strongly disagree phase. Finally, the questions tallied and analyzed using the statistical package analysis tool.

3.4.2. Interview Conduct

Interviews were performed to get additional information and perspectives from the management team leaders. The questions were designed in a way it arose provocative thinking and to make the matter to be handled as them. Human resource managers and other team leaders were primly included in interview because due to their time is eventful. Finally, the outcome was analyzed as any questionnaires would be analyzed using statically package software.

3.5. Procedures of Data Collection

Gathering the data from the respondents, the research got permission from the organization. Then, questionnaires distributed to the employees in the head office and the researcher collect the papers from the office again the interviews question is given to the head of departments and managements staff ahead of time so that to give time to think it.

Primarily, the questionnaires were prepared in English language. But for the convenience of the respondents in order to express their ideas/opinion/ clearly and in well manner the researcher translated the questions to Amharic. The researcher distributed the questionnaires to the selected respondents. The respondents were randomly selected across different departments of the company. Then after that the research collected the response from the respondents.

3.6. Methods of Data Analysis

The researcher used descriptive statistics to analyze, interpret and summarize the findings of the study, as it was deemed to analyze quantitative data. Thus, percentage computation was used to get the total picture of the data collected from the sample respondents which could serve as a basis for making comparative analysis. In summary the data were tabulated and analyzed using descriptive statistics method. Data collected from different sources are coded, tallied, counted, and organized using tables and charts.

From 90 questionnaires that distributed to the respondents 83 were filled and returned, however, 4 questionnaires were not correctly filled so they were excluded. Therefore, 79 questionnaires were effectively used for analysis which shows response rate of 87.7%. According to Fowler (2002), a

75% response rate is considered as adequate. The data collected from the respondents using the questionnaires was interpreted, analyzed, summarized using the statically package for social science (SPSS) software tool. The interview responses were also interpreted in analysis part of the paper so that information collected from matters for the research to be successful. The interview analyzed was as such as the questionnaires to get collective response from all the individuals.

3.7. Pilot Testing

A pilot test was conducted to test and check the reliability of items of the questionnaire and make the necessary correction. Pilot test minimize the mistake made in the questionnaire it will also uses packages for social since[SPSS].

3.7.1 Reliability and Validity

Reliability tests the accuracy and precision of a measurement procedure (Kothari 2004). The coefficient alpha, developed by Cronbach (1951), is the most used index for estimating the reliability of measurement instruments such as scales, multiple item tests, questionnaires, or inventories (Raykov 1997). Of the measures of internal consistency, the most frequently preferred is Cronbach alpha (Cronbach, 1851), can be used for three, four or five point Linkert scale items. Alpha is easily interpreted and ranges from 0 to 1 gives low to very high internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability. By taking different five points the research got an approximate value of greater than 0.95 which assures the reliability if each values.

Validity refers to the extent to which a test measures what actually wishes to measure. To make sure that the study measures what it intendeds to measure different books are reviewed, questionnaires were distributed, and the researcher conducted interview. We have used two basic methods to measures validity, the most frequently preferred is cronbach alpha, can be used for three, four or five point Linkert scale items.As we have seen from above paragraph we can conclude that our test basses the basic Cronbach test for validation and reliability.

3.8. Ethical Consideration

As far as possible the research tried to consider the confidentiality of the data. The subjects were not obliged to state their identities. After the questionnaires were distributed then it was collected

with a group so that confidentiality of the data is kept. Hence, we have stressed on the confidentiality and anonymity of the data as much as possible.

CHAPTER FOUR

DATA ANALYSIS AND INTERPERTATION

Under this chapter we see list of the major findings that were observed from the respondents with the socio-demographic variables followed percussion of issue the practice and challenge of employment appraisal in NIHAM it accordingly.

In order to gathering more information and to triangulate the survey result, interviews questions were forwarded to HRM department manager and human resources planning and performance management section more over analysis of the data is proceed in line with basic research question and objective of the study

4.1. Return Rate

On the major findings that were observed from the 90 questionnaires that were distributed to the respondents 83 were filled and returned among them 4 questionnaires were not properly filled. Therefore, 79 questionnaires were effectively used for analysis, which shows response rate of 87.7%. According to Fowler (2002), a 75% response rate is considered as adequate.

Table 4. 1: Return Rate of Questionnaires Distributed

Category	Total No of population	Sample taken	Returned questionnaires	Not Returned questionnaires	Not properly filed questionnaires	Questionnaires Used for analysis
Total Employees	116	90	83	7	4	79

Niham has around 116 employees in base office in which they do the main tasks for the company. Among this total number of population, the company the researcher selected a sample of 90 peoples based on their position, department and academic status. From these samples 83 of the questionnaires were returned and many of them were dropped for various reason, from the rest 79 of them were used for the analysis. We mainly focused on the main office because there is an assessment done to promote the market.

4.2. Demography of Respondents

This is the first discussion and interpretation part of this research and under this sub topic the demographic characteristics such as sex, age, marital status and education qualification of respondents would be discussed in detail

Table 4. 2: Demography of Respondents

Demographic variables		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	53	67.0	66.0	67.0
	Female	26	33.0	33.0	100.0
	Total	79	100.0	100.0	
Age	Under 25	15	19.0	19.0	19.0
	25-34 years	30	38.0	38.0	57.0
	35-44 years	28	36.0	36.0	93.0
	Above 45 years	6	7.0	7.0	100.0
	Total	79	100.0	100.0	
Marital status	Married	28	35.0	35.0	35.0
	Single	51	65.0	65.0	100.0
	Total	79	100.0	100.0	
Education level	Certificate	7	9.0	9.0	9.0
	Diploma	29	36.0	36.0	45.0
	Degree	42	54.0	54.0	99.0
	Masters and above	1	1.0	1.0	100.0
	Total	79	100.0	100.0	

Source : Survey result2018

Out of the total respondents who participate in this study 67 percent of them were male and the rest 33 percent of them were female. 19 percent of them also under the age of 25, 38 percent of them were between the age range of 25 to 34 years; and the remaining 36 and 7 percent of the sample respondents were between 35 & 44 and above 45 years of ages respectively. Below the statistics is described in charts.

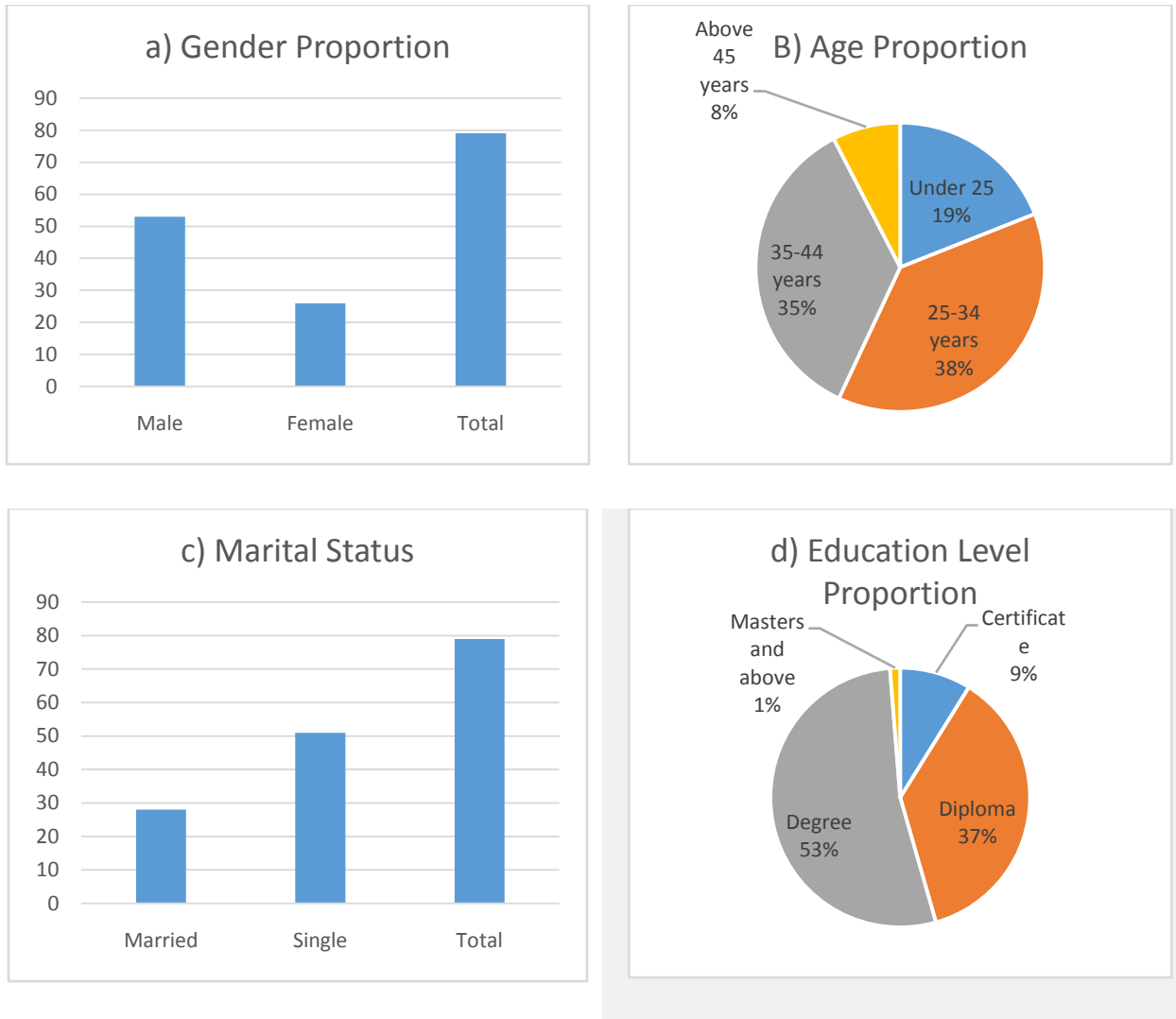


Figure 3 Charts describing a) gender proportion, b) age proportion, c) marital status and d) education level.

Furthermore, 65 percent of the respondents were singles however, 35 percent of the sampled respondents were married. Apart from these, out of those sampled respondents 54 percent of them were degree holders, 36 percent of them were diploma holders and the other 9 and 1 percent of the respondents were certificate and master's degree holders respectively.

In terms of proportion, majority of the employees of Niham International business PLC. Below we show the overall shown in 4.2 table my above discussion.

Table 4. 3: Job position and Years of Service in the Company.

Job category and position	Years of service in the company				Total	
	0-2 Years	2-4 years	4-6 years	above 6 years		
Management/Administration	5	21	6	4	36	46%
Technical/Engineering	7	5	2	1	15	19%
Finance/Accountancy	2	7	1	2	12	15%
Information Technology/ICT	0	1	3	0	4	5 %
Other support staff	4	4	2	2	12	15%
Total	18	38	14	9	79	100%
	22.8%	48.2%	17.7%	11.3%	100	%

Source : Survey Result 2018

In addition to the above points the demography part of this research incorporates the job position and total service year of respondents in the current organization. In line with this the researcher categorized the job position and category of respondents in to five, Management/Administration, Technical/Engineering, Finance/Accountancy, Information Technology/ICT and Other supportive department staffs. Below here we have described collectively years of service in the company respective of employees of different departments.

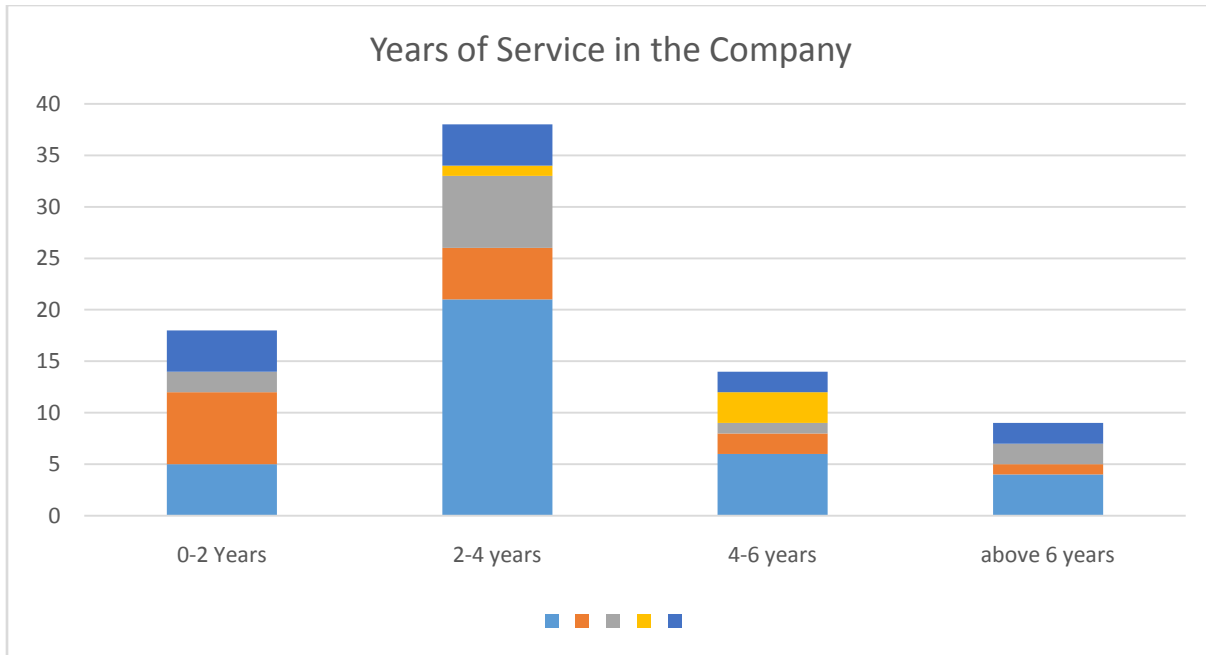


Figure 4 Describing years of service of different employees of departments in the Niham international business plc.

Accordingly, 45 percent of the respondents were belonging to management or administrative staff, 19 percent of the respondents were a staff of technical or engineering department, and 17 and 6 percent of the sampled respondents were a staff of finance and information technology departments. The rest 13 percent were coming from supporting departments. Furthermore, among all, 22 percent of the respondents were served the organization for 2 and below years, where and 52 percent of the respondents were served the organization for 2 to 4 years, and the rest 17 and 9 percent of the sampled participants were served Niham international business PLC. for 4 to 6 and above 6 years respectively. In addition to this, unlike the others majority of the management staffs served the organization for 2 to 4 years shown in 4.3 table on my above discussion

4.3. Analysis of Collected Data

Under this sub-topic in line with the basic research questions the basic issues and theme of the research would be discussed. Basically, in this sub-topic three issues would be addressed plan and standard of performance appraisal practice, practice and procedure of performance appraisal practice and challenges of performance appraisal practice. Each of the issues is discussed below in detail.

In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the feedback of the respondents. The feedback of the respondents for the variables indicated below were measured on five point Likert scale with measurement value 1= Strongly Disagree; i.e. very much dissatisfied with the case described; 2= Disagree, i.e. not satisfied with the case described; 3= Neutral, i.e., uncertain with the case described; 4= Agree, i.e., feeling all right with the case described and considered as satisfy; and 5 = Strongly Agree, i.e. very much supporting the case described and considered as highly satisfy.

According to Best, (1977) cited on Yonas (2013) the interpretation and decisions of the level of agreement were done based on the following ranges of values reassigned to each scale: 1-1.8= strongly disagree; 1.81-2.6 = Disagree; 2.61-3.4= Neutral; 3.4-4.20= Agree; and 4.21-5 = Strongly Agree. Therefore, the analysis and interpretation of this study is done based on this reference.

4.3.1. Agreement of Organization Strategy and Business Plan to PA

Employees awareness of about the organization strategic business objective has a big contribution to effectively use their talent toward achieving the organization goal. Here under the response of employees regarding strategic business objective of the NIHAM discuss and analyzed as follows

Table 4. 4: Organization Strategy Business Plan

Organization Strategy Business plan	Ratings						
	SA	A	N	D	SD	Mean	St. Dev
The current performance appraisal is planned based on the company's mission, vision, objective and employees occupation	1%	3%	28%	62%	6%	3.69	0.677
	1	2	22	49	5	3.69	0.677
Employees participate during planning session of performance appraisal	3%	11%	72%	13%	1%	2.98	0.635
	2	9	57	10	1	2.98	0.635
Employees have a contribution on performance appraisal planning process	4%	18%	43%	32%	3%	3.12	0.879
	3	14	34	25	3	3.12	0.879
Employees have the knowhow concerning performance appraisals planning process	4%	32%	43%	20%	1%	2.82	0.833
	3	25	34	16	1	2.82	0.833
Cumulative	3%	16%	46.50%	31.75%	2.75%	3.15	0.756

Source: Survey result 2018

Where F, Frequency, % - Percentage, SA- Strong Agree and SD- Strongly, D- Disagree

4.3.1.1. Response of Understanding of Organization Strategy

As shown in the above table 4. 3.1. plan and standard of performance appraisal practice concerns the planning activities of the performance appraisal, its transparency with employees and its standardization.

Accordingly, the first raised issue regarding performance appraisal actives were whether the current performance appraisal plan of the were based on the company's mission, vision, objective and employee's occupation, in line with this, 62 percent of the respondents replied that disagree the planning of performance appraisal practice of the company was not in line with the company's mission and objective; Although, 28 percent of the respondents neither agree nor

disagree; however, very insignificant amounts of respondents witness the on the reconciliation organizations PA planning activities and its mission and objective.

Furthermore, majority of the respondents had no idea about employee's participation during planning session of performance appraisal, for this 72 percent of the respondents neither agree nor disagree. Likewise, majority 43percent of the respondents neither agreed nor disagrees regarding employees' contribution on performance appraisal planning process; however, around 13 percent of the respondents replied that they didn't participate in the planning session of the performance appraisal practice of the organization.

Apart from these, although 32 percent of the respondents had the knowledge of performance appraisals planning process, however, 20 percent of the respondents didn't have the knowhow about the performance appraisal process, while 43 percent of them neither agrees nor disagrees.

Apparently, the cumulative mean of performance appraisal standard was **3.15** and had a standard deviation of **0.756**; the score falls in the range of neutral which indicates the employees of the organization still uncertain concerning the performance appraisal standard of the organization.

The analysis shows that although to some extent the company tries to impart the planning process of the performance appraisal practice, however, the whole process was not participatory and transparent. The mean score also falls at the range of neutral level which indicate employees were uncertain what is going on regarding performance appraisal planning process.

Moreover, majority of the respondents disagreed or not certain concerning the performance appraisal standard of the organization which suggests there was no clear and transparent performance appraisal standard.

4.3.1.2. Response on Performance Appraisal Relation to Performance Standards

Table 4. 5Performance Standards Rating

Performance Standards	Ratings						
	SA	A	N	D	SD	Mean	Standard Deviation
There is clear and transparent performance appraisal standard	4%	5%	27%	59%	5%	3.56	0.8326
	3	4	21	47	4	3.56	0.8326
The standards are clearly measure employee performance and employees performance standards are attainable	2%	21%	63%	13%	1%	2.9	0.674
	2	17	50	9	1	2.9	0.674
The performance appraisal standards are always applied in performance appraisal practices	2%	22%	44%	30%	2%	2.92	0.825
	2	17	35	23	2	2.92	0.825
Cumulative	2.66%	16%	44.66%	34%	2.66%	3.12	0.7772

Source: Survey Result 2018

In line with the planning process a standard of measurement need to have incorporated, corresponding to this, only 5 percent of the respondents assured that the organization set clear and transparent performance standard; however, 59 percent of the respondents replied disagree that no standard for performance appraisal process;

The rest 27 percent of the respondent's neutral also not quite sure regarding the existence of the standard. Although, majority of the respondents confirmed that standard measurement was not there, respondents were also again asked whether the standards are clearly measure employee performance and whether sated standards are attainable, in regard to this, majority (63%) of the respondents not certain about the attainableness of the standard; 21 percent of the respondents however said that the standards are clearly measure employee performance and the standards are attainable, whereas, 13 percent of the respondents confirmed that the standards disagreed were no clearly measure the performance of employees.

The cumulative analysis of planning suggests that only 16 percent of the respondents replied positively concerning agree the planning process of performance appraisal practice, however, **34%** of the respondents replied negatively, while 44.6 percent of the respondents didn't have the

idea concerning the planning process of performance appraisal practice. Furthermore, the grand mean analysis shows that, the planning process of performance appraisal practice have got a mean score of 3.15 with a standard deviation of **0.7772**.

The analysis shows that although to some extent the company tries to impart the planning process of the performance appraisal practice, however, the whole process was not participatory and transparent. The mean score also falls at the range of neutral level which indicate employees were uncertain what is going on regarding performance appraisal planning process. Furthermore, majority of the respondents disagreed or not certain concerning the performance appraisal standard of the organization which suggests there was no clear and transparent performance appraisal standard.

4.3.2. Responses of Communication and Performance Measurement in relation with PA

Table 4. 6Communication and Actual Performance Measurement

Communication	Ratings						
	SA	A	N	D	SD	Mean	St. Dev
Supervisors clearly explains to employees; what he/she expects in employees performance	2%	19%	52%	24%	3%	3.07	0.7946
	2	15	41	19	2	3.07	0.79
Employee understand their job responsibility and expectation needed from them	0%	4%	25%	60%	11%	3.78	0.69
	0	3	20	47	9	3.78	0.69
Employee communicates before giving feedback	2%	12%	69%	16%	1%	3.02	0.635
	2	9	54	13	1	3.02	0.64
Employees have opportunity to participate in the design of the performance appraisals form	4%	25%	54%	16%	1%	2.85	0.77
	3	20	43	12	1	2.85	0.77
Cumulative	2%	15%	50%	29%	4%	3.18	0.7224

Source : Survey Result 2018

4.3.2.1. Communication of the Results of PA

As the first step of performance appraisal is communicating the necessary information with the employee, the first issues that would be discussed under this sub topic is communication, accordingly, respondents were asked regarding whether supervisors clearly explains to them what the supervisor expects in employees performance, in line with this, around 25 percent of the employees confirmed disagree that supervisors didn't clearly explains to them what he/she expects in employees performance; conversely, 19 percent of the respondents replied that their supervisors clearly explains to them regarding the performance they expect. Further, majority (52%) of the respondent's neutral not quite sure about this thing.

60 percent of the respondents also replied disagree that employee didn't understand their job responsibility and expectation needed from them, although, 25 percent of the respondents not

certain about this thing or neutral. In addition to these, 12 percent of the sample respondents confirm that they get communicated before feedback is given to them, conversely, 16 percent of the respondents didn't communicate before feedback is given to them.

On this regard the very majority (69%) of the respondents was not certain regarding communication and feedback. Moreover, 29 percent of the respondents said that, they have the opportunity to participate in the design of the performance appraisals form; conversely, 17 percent of the respondents didn't get the opportunity to participate on the design, the rest 54 percent of the respondents not sure about this thing.

The cumulative analysis of suggests that only 50 percent of the respondents replied neutral, **29%** disagree, 15% respondent was agreeing communication and Actual performance measurement Furthermore, the grand mean analysis shows that, the planning process of performance appraisal practice have got a mean score of 3.38 with a standard deviation of **0.7224**. The analysis shows that although to some extent the company tries to impart the communication and Actual performance measurement, however, the whole communication and Actual performance measurement was not participatory well communicable.

4.3.2.2. Performance Measurement Relation to Performance Appraisal

Table 4. 7Rating for Actual Performance Measurement

Performance Measurement	Ratings						
	SA	A	N	D	SD	Mean	Standard Deviation
The performance standard measuring exact level of my actual performance	3%	3%	46%	48%	0%	3.39	0.6947
	2	2	37	38	0	3.39	0.69
My supervisor is influenced by his or her personal liking and dislike when measuring my performance	2%	22%	63%	12%	1%	2.88	0.671
	2	17	50	9	1	2.88	0.67
The performance criteria used to measure my performance are clearly defined	3%	29%	41%	27%	0%	2.92	0.825
	2	23	33	21	0	2.92	0.83
There are clear methods supervisor used to measuring your performance	3%	26%	49%	22%	0%	2.9	0.772
	2	21	39	17	0	2.9	0.77
Cumulative	2.75	20	49.75	27.25	0.25	3.0225	0.74068

Source: Survey Result 2018

Apart from the communication respondents were also asked about the actual thing of performance appraisal practice. Accordingly, only 63 percent of the respondents agree confirmed that the performance standard measures exact level of their actual performance; on the other hand, 48 percent of the respondents said that the performance standard didn't measures or disagree the exact level of their actual performance, in regard to this, 46 percent of the respondents neither agreed nor disagreed.

22 percent of the respondents replied that their supervisor was influenced by their personal liking and dislike when measuring employees' performance; on the other hand, only 12 percent of the respondents disagree on this thing, the rest majority (63%) of the respondents was not certain about personal biasness of performance evaluation.

In addition to these, 29 percent of the respondents confirmed agree that the performance criteria used to measure employee’s performance were clearly defined, although 27 percent of the respondent’s reject this. The other majority 41 percent of the respondents neither disagree nor agreed. The last issue concerning actual performance evaluation was the method of evaluation; in regard to this 29 percent of the respondents were confirmed that there were clear methods supervisor used to measuring employees’ performance; however, 22 percent of the respondents had a doubt regarding the clarity of the evaluation method.

The cumulative analysis of communication suggests that only 20 percent of the respondents replied positively concerning communication stage of performance appraisal practice, however, 27.5 percent of the respondents replied negatively, while half (49%) percent of the respondents was not certain concerning the communication stage of performance appraisal practice.

Furthermore, the grand mean analysis shows that, communication have got a mean score of **3.0225** with a standard deviation of **0.74068**. Both of the mean score fall in the range of neutral which indicates the employees of the organization still not sure about the communication and actual performance practice of the organization.

4.3.3. Comparing Actual Performance Against Standards

Table 4. 8Comparison of Actual Performance Against the Standard

Comparing Actual Performance Against Standards	Ratings						
	SA	A	N	D	SD	Mean	St. Dev
Comparison of actual performance appraisal with standard is always performed	2%	10%	34%	48%	6%	3.46	0.8338
	2	8	27	38	4	3.46	0.83
The comparison against standards helps employees to locate their problems	1%	23%	60%	14%	2%	2.93	0.7
	1	18	47	11	2	2.93	0.7
Employee raise question comparing their outcome beyond settled standards	3%	27%	50%	17%	3%	2.9	0.823
	2	21	40	14	2	2.9	0.82
Cumulative	2%	20%	48%	26.33%	3.66%	3.096	0.7856

Source : Survey Result 2018

The analysis shows that, only 10 percent of the respondents agreed that the actual performance appraisal is always compared with the standard; however, the rest 48 and 34 percent of the respondents were disagreeing and neither disagree nor agree.

23 percent of the respondents said that the comparison against standards helps employees to locate their problems; however, 14 percent of the respondents replied that the comparison against standards didn't help employees to locate their problems. The rest 60 were uncertain or neutral about the benefit of comparison against standards.

Furthermore, 27 percent of the respondents said that employee can raise question if their comparing outcome is beyond settled standards; conversely, 17 percent of the respondents didn't agree regarding the disagreement between their evaluation outcome and the settled standard. The rest 50 percent of the respondents neither agree nor disagree regarding the clash between result outcome and settled standard.

The cumulative analysis of comparing actual performance against standards suggests that 20 percent of the respondents replied positively concerning comparing actual performance against standards, however, 26.33 percent of the respondents replied negatively, while close to half (48%) percent of the respondents was uncertain concerning comparing actual performance against standards. Furthermore, the grand mean score of 3.09 with a standard deviation of 0.7856 suggests that employees of the organization still not sure about the activities of the organization regarding comparing actual performance against standards.

4.3.4. Feedback and Corrective Action for Performance Appraisal Process

Table 4. 9Feedbacks and Corrective Actions Ratings

Feedback	Ratings						
	SA	A	N	D	SD	Mean	St. Dev
Employee have received feedback from their supervisor regularly	5%	6%	29%	53%	7%	3.51	0.9044
	4	5	23	42	5	3.51	0.9
Feedback given helps to improve employees performance,	3%	20%	69%	6%	2%	2.84	0.662
	2	16	54	5	2	2.84	0.66
employees are satisfied with their appraisal results	5%	43%	40%	12%	0%	2.59	0.767
	4	34	32	9	0	2.59	0.77
Cumulative	4.33%	23%	46%	23.66%	3%	2.98	0.7778

Source : Survey Result 2018

4.3.4.1. Feedback Results on Performance Appraisal

This sub topic tries to address the issues of post-performance appraisal activities; the first concerned issues were feedback of the performance appraisal result. Accordingly, only 6 percent of the respondents agreed that they have received feedback from their supervisor regularly; however, 53 percent of the respondents didn't received feedback from their supervisor regularly. The rest 29 percent of the respondents neither agreed nor disagrees. 20 percent of the employees also believed that the feedback given helps to improve employee's performance, 6 percent of the respondents didn't believe the feedback given helps to improve employees' performance, the rest 69 percent of the respondents were uncertain about whether feedback given improve performance or not. In addition to the above points, 43 percent of the sampled employees were happy with their appraisal results; conversely, 12 percent of the respondents were not satisfied with their appraisal results, the rest 40 percent of the respondents neither agreed nor disagree.

The cumulative analysis of feedback suggests that **23** percent of the respondents replied positively concerning the feedback given to them, however, **23.66** percent of the respondents

replied negatively, the rest 46 percent of the respondents didn't have the idea concerning the feedback of performance appraisal result.

Furthermore, the grand mean analysis shows that, the feedback performance appraisal result has got a mean score of 2.98 with a standard deviation of 0.7778

4.3.4.2. Corrective Action Result on Performance Appraisal

Table 4. 10 Ratings for Corrective Action Taken

Corrective Action	Ratings						
	3%	9%	32%	51%	5%	3.46	0.8459
Corrective action taken by the company is based on performance appraisal.	3	7	25	40	4	3.46	0.85
	3%	23%	59%	14%	1%	2.78	0.72
The corrective action taken by the company is benefit employees.	2	18	47	11	1	2.78	0.72
	4%	53%	38%	4%	1%	2.45	0.687
corrective action taken by the companies is done on time	3	42	30	3	1	2.45	0.68
	Cumulative	3.33%	28.33%	43%	23%	2.33%	2.89

Source: Survey Result

In addition to the feedback received, respondents were also asked about the corrective action taken after the feedback was given; accordingly, only 9 percent of the respondents confirmed that corrective action taken by the company is based on performance appraisal; however, 51 percent of the respondents replied that corrective action taken by the company was not based on performance appraisal, the rest 32 percent of the respondent were uncertain or neutral whether the correction action was based on performance appraisal.

Also 23 percent of the respondents believed that the corrective action taken by the company would benefit employees; however, 14 percent of the respondents didn't believe that the corrective action taken by the company would benefit employees; in this regard further the very majority (59%) of the respondents neither agreed nor disagreed regarding the benefit of corrective action taken. Likewise, 53 percent of the respondents confirmed that corrective action

taken by the companies is done on time; whereas, 38 percent of the respondents were not certain regarding the timely measure of corrective action. Likewise, the cumulative analysis of corrective action indicated that 31.66 percent of the respondent agreed with the application of corrective action taken by the organization, 25.33 percent of them didn't agreed and the rest 43 percent of the respondents not certain about the overall corrective action. Apparently, the cumulative mean of corrective action was 2.89 and had a standard deviation of 0.7509; the mean score falls in the range of neutral like the other procedures it indicates the employees of the organization still uncertain concerning the performance appraisal standard of the organization.

4.3.5. Challenges of Performance Appraisal Practice

Table 4. 11Challenges of Performance Appraisal Practices

Challenges of Performance Appraisal Practice	Ratings						
	SA	A	N	D	SD	Mean	St. Dev
The employees do not have clear understanding about how their performance is measured	0%	4%	20%	51%	25%	3.97	0.7843
	0	3	16	40	20	3.97	0.78
The rating scales may be quite vague and unclear	0%	9%	53%	34%	4%	3.33	0.697
	0	7	42	27	3	3.33	0.69
Employees appraisals form be long and complex	1%	33%	56%	9%	1%	2.76	0.668
	1	26	44	7	1	2.76	0.66
the rating form ignores importance aspects of employees job performance	0%	33%	45%	19%	3%	2.92	0.8
	0	26	36	15	2	2.92	0.8
The performance appraisal practice process supervisor use for all employees equally	3%	26%	55%	14%	2%	2.86	0.766
	2	21	43	11	2	2.86	0.77
The supervisor may not have adequate skill to evaluates your performance appraisals	3%	42%	44%	7%	4%	2.67	0.817
	2	33	35	6	3	2.67	0.82
Cumulative	1.16	24.5	45.5	22.33	6.5	3.08	0.7553

Source : Survey result 2018

This is the sub-topic where the challenges of the performance appraisal practice will be discussing; accordingly, above 4 percent of the respondents said that they have clear understanding about how their performance was measured; however, 20 percent of the respondents neither agree nor disagree regarding employees understanding about performance appraisal. Only 9 percent of the respondents said that the rating scales were vague and unclear, however, 34 percent of the respondents replied that the rating scales were not vague and unclear. The rest 53 was uncertain concerning the clarity of the rating scale.

In addition to these, 33 percent of the respondents confirmed that the performance appraisals form are long and complex; conversely, only 9 percent of the respondents replied that the employees' appraisals form were not long and complex; the rest majority (53%) of the respondents neither agree nor disagree on this issue.

Respondents were also asked about whether the evaluation process and from ignores the important aspects of job performance, accordingly, 33 percent of the respondents confirmed that the rating form ignores importance aspects of employees job performance; on the other hand, 19 percent of the respondents said that the rating form doesn't ignores importance aspects of employees job performance, the rest 45 percent of the respondents neither agrees nor disagrees regarding the points included on the evaluation form.

Apart from these, 42 percent of the respondents replied that the supervisor do not have adequate skill to evaluates employees' performance; conversely, 7 percent of the respondents said that the supervisor have adequate skills to evaluates employees' performances, the rest 44 percent were neither agree nor disagree.

The cumulative analysis of challenges of performance appraisal suggests that 24.5 percent of the respondents confirmed that the issues mentioned below in the table were the challenges of the appraisal process; however, 22.3 percent of the respondents mentioned that the appraisal process were not challenged by those issues and the rest 45.5 percent of the respondents didn't have the idea or neutral concerning the challenges of performance appraisal practice of the organization. Furthermore, the grand mean analysis shows that, the challenges performance appraisal practice had a mean score of 3.08 with a standard deviation of 0.7553. Just like all other variables the

score fall in the range of neutral which indicates the employees of the organization still uncertain about the challenges of performance appraisal practice of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1. Summary of Key Findings

The following major findings are derived from data analysis.

- ❖ The findings of the study show that to a lesser extent the company made a strategic business plan, however, the planning process were not participatory.
- ❖ The findings confirm there was no clear and transparent performance appraisal standard.
- ❖ Proper communications were not taken place and to some extent actual performance were measured, however, it not possible to be sure whether the actual performance were compared with the standard. The findings further show that, there was a gap on delivering feedback and taking corrective action.
- ❖ Long and complex forms, ignorance of importance aspects of employee's job performance and lack of supervisor's adequate performance appraisal skill were the major challenges of the appraisal process.

5.2. Limitations

The limitations of the study are the following. The research is based on questionnaires collected from different persons so the authenticity of information provided by each person matter most. If the person working in the company, he/she may not want to imply information that might create unfavorable implication on him/her.

Performance is a big issue and the concept of performance is subjective. This means any person might think a certain amount of work is enough while other may demand more so these ambiguities might have a negative impact on the research.

Obviously, any study is not free from limitations. As a result, this study was conducted with some sort of limitations. The researcher was faced with many problems that, in fact, may affect the quality of the study. The following were among others:

- ❖ The reluctance of the respondents to fill the questionnaire
- ❖ The delay by the respondents in returning back the questionnaire
- ❖ Shortage of time to undertake the study

5.3. Conclusions

The following conclusions are drawn based on the research finding.

Performance appraisal is carried to what extent organizational employees contribute toward the achievement the organization strategic business plan. In this regard. employees are not involving in plan. performance standard are not clearly communicated to employers, how performance measurement of employees job performance is not clear, performancefeedback and action for performance deviations practiced

- ❖ The company has faced with challenges during the appraisal process. The major ones are long and complex forms, ignorance of importance aspects of employee's job performance and lack of supervisor adequate performance appraisals skills.
- ❖ The major purpose of performance appraisals system is to enable employees identify their work performance strengths and weaknesses so they may minimize their strong point and increase their strong point with a view to improve their work performance. In this regard not providing appraisal feedback and taking corrective action can be mentioned as weaknesses. As per the study there are no as to be mentioned as strengths.

5.4. Recommendations

The intention of this research is assessing the challenges and current practices of the performance appraisal system. This study could be seen as the first step in improving the ongoing performance practice of the organization; in considering these the researcher forwards the following recommendations,

- ❖ Performance appraisal should be made scientifically, evaluators skill, potential and capabilities that monitor the overall process should be improved and built through several HR skills and training in order to have up-to-date and adequate knowledge on apprising employee and to avoid biasness and unfair judgments that might lead to employee's dissatisfaction and also reduced work quality.
- ❖ The existing performance appraisal form is vague and unclear to employees, and hence, it should be updated and follow specific standards. As we are operating in a very dynamic

situation the organization should review and develop an evaluation format in line with the organization overall system.

- ❖ Performance appraisal by itself is not sufficient. Appropriate feedbacks after completion of the evaluation process should be given to the employees with possible suggestions to their performance in which the PA results will be helpful both ways. Therefore, a lot has to be done to utilize employees PA results to be useful for developmental as well as administrative purposes of the organization
- ❖ This research is limited to a single organization with limited samples, however, a better and extensive study that consider large sample and different related organization can be carried out. To this end, this research can be used as a bench mark for further analysis for anyone who would like to.

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Annexes I: Questionnaires

St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION (GMBA) PROGRAM
QUESTIONNAIRES TO BE FILLED BY NIHAM INTERNATIONAL
BUSINESS PLC. EMPLOYEES

Dear Respondents;

The purpose of this questionnaire is to collect information for the research paper entitled The Practice and Challenges of Employees' Performance Appraisal at Niham International Business PLC..

This information shall be used as a primary data in this research, which is being conducted as a partial requirement for completing **GMBA** program at **St. Mary's University**. Therefore, you are kindly requested to provide your genuine response. All your response will remain confidential and will be used for academic purpose only.

I would like to express my sincere appreciation for your willingness to participate in this study.

You are not required to write your name.

Part I: Demographic Variables of Respondents

Instruction: Please give your responses by making tick mark (✓) in the box.

1. Gender

A. Male B. Female

2. Age range

A. under 25 years B. 25-34 years C. 35-44 years D. Above 45 years

3. Marital status

A. Married B. Bachelor / Single

4. Educational Qualification,

A. Certificate B. Diploma. C. Degree D. Masters and above

5. Years of service in this company,

A. 0-2 Years B. 2-4 years C. 4-6 years D. above 6 years

6. To which category does your position fall?

(A) Management/Administration.... (D) Information Technology/ICT.....
(B) Technical/Engineering..... (E) Other support staff
(C) Finance/Accountancy.....

Part II: Opinion survey on performance appraisal

2.1 On Performance Appraisals Practice

Instruction: Please indicate your level of agreement based on the following **Ratings Scales:**

5-Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree and 1-StronglyDisagree

(Please Tick (√) the relevant box)

No.	Statements	Ratings				
		5	4	3	2	1
Business plan of the company						
1	The current performance appraisal is planned based on the company's mission, vision, objective and employees occupation					
2	Employees participate during planning session of performance appraisal					
3	Employees have a contribution on performance appraisal planning process					
4	Employees have the knowhow concerning performance appraisals planning process					
Performance Standards						
1	There is clear and transparent performance appraisal standard					
2	The standards are clearly measure employee performance and employees performance standards are attainable					
3	The performance appraisal standards are always applied in performance appraisal practices					
Communication						
1	Supervisors clearly explains to employees what he/she expects in employees performance					
2	Employee understand their job responsibility and expectation needed from them					

3	Employee communicates before giving feedback					
4	Employees have opportunity to participate in the design of the performance appraisals form					
Measuring Actual Performance						
1	The performance standard measuring exact level of my actual performance					
2	My supervisor is influenced by his or her personal liking and dislike when measuring my performance					
3	The performance criteria used to measure my performance are clearly defined					
4	There are clear methods supervisor used to measuring your performance					
Comparing Actual Performance against Standards						
1	Comparison of actual performance appraisal with standard is always performed					
2	The comparison against standards helps employees to locate their problems					
3	Employee raise question comparing their outcome beyond settled standards					
Feedback						
1	Employee have received feedback from their supervisor regularly					
2	Feedback given helps to improve employees performance,					
3	employees are satisfied with their appraisal results					
Action						
1	Corrective action taken by the company is based on performance appraisal.					
2	The corrective action taken by the company is benefit employees.					
3	corrective action taken by the companies is done on time					

Part III: Option Survey on Performance Appraisal Challenges

2.2 On Performance Appraisal Challenges

Instruction: Please indicate your level of agreements based on the following **Ratings Scales:**

5-Strongly Agree, 4-Agree, 3-Neutral , 2-Disagree and 1-Strongly Disagree

(Please Tick (√) the relevant box)

No	Statements	Ratings				
		5	4	3	2	1
1	The employees do not have clear understanding about how their performance is measured					
2	The rating scales may be quite vague and unclear					
3	Employees appraisals form be long and complex					
4	the rating form ignores importance aspects of employees job performance					
5	The performance appraisal practice process supervisor use for all employees equally					
6	The supervisor may not have adequate skill to evaluates your performance appraisals					

Annexes II: Interview Questions

St. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MASTERS OF BUSINESS ADMINISTRATION (G MBA) PROGRAM

Part IV Performance Appraisal

Interview questions for senior supervisor and above in Niham International Business PLC. head office Addis Ababa Ethiopia the partials fulfillments of requirements for master degree

1. What is the reaction of employees at the of appraisal process approaches?
2. Is there a performance appraisal standards guideline in your organization? If yes, what is the base for its preparation?
3. Do workers have access to know results of their performance appraisal? In your opinion, what are the real challenges that you observe regarding performance evolutions practices of your organization?
4. Would you please suggest if there is anything to be changed with regard to the current performance evaluation system being used in your organization?

Thank you for your time in completing this questionnaire.